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4 August 1986

MEMORANDUM FOR: EPS/LG

VIA: DD/House Affairs, OCA

FROM:

House Affairs, OCA

SUBJECT: Request from HPSCI Staffer Giza

1. OCA received the attached newspaper article from Dick Giza, HPSCI staff. He said the Chairman would like to know the validity of the article.

2. Please respond by 11 August.

Attachment:
As stated

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Final edition

San Francisco
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7/27/86

★★★★★

Saudis secretly funding contras, U.S. sources say

'Kickback' from AWACS sale funneled to Nicaraguan rebels, other anti-leftists

By Knut Royce
 and Miguel Acoca
 EXAMINER WASHINGTON BUREAU

WASHINGTON — Saudi Arabia secretly has been financing Third World anti-communist guerrillas, including the Nicaraguan contras, through an informal arrangement tied to its 1981 purchase of AWACS radar airplanes, intelligence sources said.

One CIA source, who said his agency was not involved, described it as a "kickback" by the Saudis to get the AWACS. Two other officials, one with CIA and the other with military intelligence backgrounds, described it as a "back-channel" operation involving the National Security Council and the Saudis.

They said it was but the latest example of a longstanding practice of financing U.S. covert operations with money set aside from foreign military sales.

A defense consultant and the military intelligence source, both of whom were in Iran in the early 1970s when the United States sold billions of dollars' worth of weapons to the late shah's regime, said it was common practice then to pad the cost of weapons to generate cash for covert programs.

The reason for the practice, the



EXAMINER graphics

the operations away from congressional oversight.

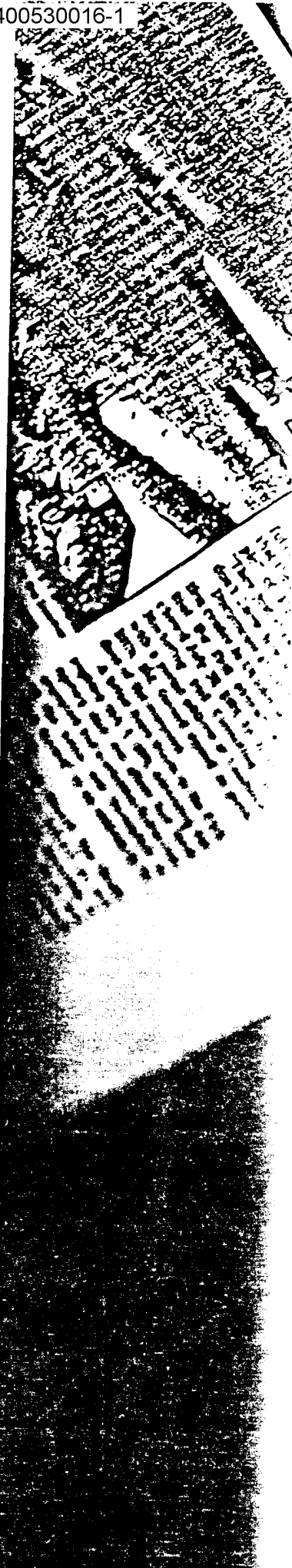
Some of the Saudi money, they said, has gone to arm the contras.

One intelligence source with extensive background in Central America said he has knowledge of at least one major arms transaction about a year ago involving \$8 million to \$10 million of Saudi money that was used to purchase light arms for the contras. The arms, he said, included assault rifles, rockets and machine guns.

He said the arms deal was arranged by former U.S. intelligence and military officials.

CBS News reported last week that the Saudis also funded the purchase of light planes for the contras.

The Saudi Embassy here said it had no comment on the reports that Saudi Arabia was financing



SAUDIS

— From A-1

U.S.-backed anti-communist wars as part of the deal for Airborne Warning and Control Systems aircraft.

The U.S. ambassador to Saudi Arabia in 1981, Robert G. Neumann, said there had been no formal agreement for the Saudis to fund anti-communist guerrillas.

But he said there are informal case-by-case discussions between the United States and Saudi Arabia. The Saudis, he said, "finance all sorts of operations all over the world. ... We support some, they support some. ... We talk about it ... but it's an individual decision."

In recent deliberations for additional military sales to Saudi Arabia, intelligence officials have told a few lawmakers and aides that the Saudis have asked anti-communist insurgents, most notably in Afghanistan, as part of an informal arrangement for buying U.S. arms.

One aide who has received such briefings said the arrangement is called "the AWACS role."

The AWACS deal was concluded in 1981 after a contentious battle in Congress. The first of the five aircraft was delivered last month. The rest of the radar planes, spare parts, tankers and trainers is \$3.8 billion.

Saudi officials have recently confirmed reports that the kingdom has secretly provided \$250 million a year to Afghan rebels, although they did not link the assistance to the AWACS sale.

Three House committees are looking into the reports that a National Security Council aide, Marine Lt. Col. Oliver North, may have violated the congressional ban on military aid to the Contras over the last two years.

North, who specializes in counterterrorism, was the administration's point man on the AWACS sale, for which he received the prestigious Defense Meritorious Service medal in 1983. He has since acted as the White House's chief liaison with the Contras.

The investigating panels are the Foreign Affairs, Armed Services and Intelligence committees.

A senior aide in the Intelligence Committee said the oversight panel was requested from the White

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Two small white planes at top are Maule STOL aircraft at contra airfield at Aguasate, Honduras

House records relating to North's work at the NSC, but has yet to receive a reply.

A White House official said, "No member of the NSC staff has done other than follow the letter and spirit of the law."

Asked about the reports that the Saudis were assisting the Contras as part of the agreement to buy the AWACS, the official said, "I would strongly lead you away from connecting the Saudis with money for the Contras. It would be a waste of time."

The Intelligence Committee also said the panel had heard allegations of foreign government funding, including from Saudi Arabia, for U.S.-backed covert operations. But he said the committee, "based on what we were told, concluded that there was no substance to the allegations."

A congressman who sat on the Intelligence Committee said members of the panel "always suspected" after the AWACS sale that the Saudis were financing contra operations. The lawmaker, who asked to not be identified, said the committee had asked CIA Director William Casey about the reports and that Casey said they were untrue.

But the intelligence sources —

one has close ties to the Middle East; the others to Central America — said it was unlikely that senior CIA officials had been aware of the secret Saudi agreement until recently.

North has been working closely with retired military and intelligence officials who operate through a network of corporate fronts in the United States and abroad to make the weapons purchases, the sources said.

The most prominent of these is retired Maj. Gen. John Singlaub, head of the World Anti-Communist League and an avid Contra supporter. He has publicly admitted to being in contact with an NSC official — whom he would not identify — during the past two years, when military aid to the Contras was banned by Congress.

He has also said publicly that some of the money for arms during that period came from, among other sources, Latin American governments.

That appears to conflict with the Intelligence Committee account that it had found "no substance to the allegations" of foreign government assistance to the Contras.

Another former military official said to be in contact with North is

retired Air Force Maj. Gen. Richard Secord, a covert war specialist with experience in Southeast Asia, the Middle East and Africa and now a member of the Pentagon's Special Operations Policy Advisory Group.

Secord, then deputy assistant secretary of Defense for Near East, Africa and South Asia affairs, was involved in the secret negotiations with the Saudis for the AWACS in 1981 and helped lobby a reluctant Congress to approve the sale.

The aircraft, Maules, have a small payload of only about 1,000 pounds, but can be used as spotters and are ideal for use in the area because they can land and take off on short strips hacked in the jungle.

Secord has been unavailable for comment despite repeated attempts to obtain an interview.

His attorney, Thomas Green, said Secord had purchased only one of the planes. "A couple of years ago he and some colleagues bought one of the Maules for investment," he said. "That airplane was subsequently sold."

He said that he had asked Secord whether the plane had been sold to N.R.A.F. Inc., in Panama, and subsequently shipped to Honduras, as shown in Federal Aviation Administration records. He said his client

did not know the principals of the Panamanian corporation nor what the plane had been used for, although he asserted that it had no military value.

Dan Spedice, a salesman for Maule, and Barbara Maule, vice secretary for the company, said Secord had ordered four planes since 1981 and that all four had been shipped to Honduras. Three planes were ordered for N.R.A.F.

Adolfo Calero, the most powerful of the Contra leaders, confirmed that the rebels have at least "a couple" of Maules inside Honduras. "They just showed up," he said. "I don't know how we got them."

Documents at the FAA registration center in Oklahoma City show that the first aircraft was purchased July 28, 1984, by American Marketing and Consulting Inc., with a postal address at Landover Hills, Md. Secord signed as president of the company.

A letter from Maule to the FAA registry Oct. 7, 1983, informing the agency that one plane had been exported had a notation that a copy of the letter was forwarded to "Dick Secord" at an address in Vienna, Va.

The other aircraft that Maule said were sold to N.R.A.F. are still registered to Maule, according to FAA records. Barbara Maule said the buyer should have deregistered them because they had been exported to Honduras.

She said the total price for the planes was \$225,000, and that at least one of the checks for payment was drawn on the account of CSF Investments Ltd. at the Republic National Bank in New York, which has extensive ties with the Middle East.

CSF is a Bermuda corporation formed in 1982. The bulk of the shares is held by a Swiss company, Compagnie de Services Financiers, S.A.

A woman who answered the phone at the Geneva firm and identified herself as Caroline said neither Secord nor his associate, Albert Hinklin, president of San Francisco-based Stanford Technology and a businessman with extensive Middle East connections, was there. She said Secord, who works for Stanford Technology, was traveling in Europe and that she would try to reach him.